

Service Date: March 21, 1985

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER of the Application  
of Northern Natural Gas Company  
to Increase Natural Gas Rates and  
Charges.

)  
)DOCKET NO. 83.9.65  
)INTERIM RATE ORDER NO. 5095a

On September 21, 1983, Northern Natural Gas Company (Applicant or Northern) filed an application with this Commission for an order authorizing the Applicant to increase natural gas rates to provide revenues to defray increased costs of operation.

Having considered the application and the documentation furnished by the Applicant in support of its application and deeming itself fully advised in the premises, the Commission makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. On September 21, 1983, Northern filed an application with this Commission for authorization to increase natural gas rates to its Montana customers on a permanent basis by approximately 541% which constitutes an annual revenue increase of approximately \$56,635.

2. On February 27, 1984, this Commission issued a Notice of Public Hearing, scheduling this matter for hearing in Havre, Montana on March 23, ~984. This notice stated that any interested parson may intervene and that the last day for intervention in this matter would be March 16, 1984.

3. On March 15, 1984, this Commission received a "Petition for Leave to Intervene" and a "Motion for Continuance" filed by certain individuals and entities receiving natural gas service from the Applicant.

4. The “Petition for Leave to Intervene” was granted by the Commission staff, consistent with Commission policy. The “Motion for Continuance” of public hearing for a period of at least ninety (90) days, was granted by the Commission at its regularly scheduled agenda meeting of March 19, 1984.

5. The Applicant waived the provisions of 69-3-302 (2), MCA, insofar as it relates to the implementation of increased rates and charges due to the passage of nine (9) months from the filing date of said increased ratio and charges.

6. On September 6, 1984, this Commission issued a second Notice of Public Hearing, scheduling this matter for hearing in Havre, Montana on September 26, 1984. At the request of the Applicant and the Intervenors to postpone the public hearing the hearing scheduled for September 26, 1984 was cancelled.

7. On October 16, 1984, this Commission received a “Stipulation and Agreement in Settlement of Ratemaking Proceeding” entered into between the Applicant and Intervenors in this Docket.

9. On November 16, 1984, the Commission, having reviewed the terms and conditions of the proposed settlement of issues, issued Order No. 5095 granting the Applicant interim rate relief in the amount of \$44,900 annually.

10. On January 25, 1985, a Notice of Opportunity for Public Hearing was sent to all consumers connected to Northern’s utility facilities. This notice outlined the provisions contained in the “Stipulation and Agreement in Settlement of Ratemaking Proceeding” filed with the Commission. The notice stated that if no requests for a public hearing were received by February 20, 1985, an appropriate order would be issued based on evidence submitted with the application.

11. No requests for public hearing were received and no public hearing was held.

12. The Applicant anticipates that the proposed rates as agreed to in the stipulation will increase annual revenues by approximately \$44,900.

### CONCLUSIONS OF LAW

1. The Commission has jurisdiction over parties and proceedings in this matter.
2. Interested persons were given proper notice and an opportunity to request a public hearing in this matter.
3. The resulting rate levels are reasonable and just.

### ORDER

1. The rates as set forth in Appendix MA”, “Stipulation and Agreement in Settlement of Ratemaking Proceeding”, attached and by this reference incorporated herein, are authorized. All prospective rate increases are subject to prior commission approval.

2. The rates and rate structure approved for Northern Natural Gas Company in Interim Rate Order No. 5095 are hereby made permanent.

DONE IN OPEN SESSION at Helena, Montana this 18th day of March, 1985  
by a vote of 4-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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TOM MONAHAN, Commissioner

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DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.

## APPENDIX A

### DEPARTMENT OF PUBLIC SERVICE REGULATION BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MONTANA

In the Matter of the Application of )  
Northern Natural Gas Company, Division of )  
InterNorth, Inc., a Delaware corporation, ) UTILITY DIVISION  
for Authority to Change the Rates Charged ) Docket No. 83.9.65  
Rural Farmstead Customers for Natural Gas )  
in Montana )

### STIPULATION AND AGREEMENT IN SETTLEMENT OF RATE MAKING PROCEEDING

The applicant, Northern Natural Gas Company, Division of InterNorth, Inc., (Northern), and the Montana Rural Farmstead Customers of Northern, (the Intervenors), who have intervened in Utility Division Docket No. 83.9.65, which is now pending before the Public Service Commission of the State of Montana, (the Commission), acting by and through their respective counsel of record, hereby stipulate and agree as follows:

#### VOLUNTARY SETTLEMENT

Northern and the Intervenors make and enter into this Stipulation and Agreement for the purpose of disposing of the above-entitled rate making proceeding voluntarily by way of settlement without the necessity of any hearing of an adversarial nature as authorized by Section 38.2.3001, ARM, subject, however, to the approval of this Stipulation and Agreement by the Commission.

#### SETTLEMENT RATE

The settlement rate agreed to by the parties to this Stipulation and Agreement is set forth in

the document entitled "Derivation of Gas Sales Rate" which is attached as Appendix "A" hereto. A revised tariff reflecting the settlement rate based upon the elements set forth in greater detail in this Stipulation and Agreement is attached as Appendix "B" hereto. The settlement rate, as from time to time adjusted in the manner hereinafter provided, shall be the total cost of gas to the Montana Rural Farmstead Customers of Northern listed in the "Havre District Farm Tap Listing" dated September 19, 1984, attached as Appendix "C" hereto. The specific and only components of the settlement rate are as follows:

#### I. Gas Purchase Cost Component

The settlement rate agreed to herein reflects an initial gas purchase cost component of \$2.7500 per mcf based on the actual average gas purchase cost to Northern in the State of Montana for the nine-month period ended May 31, 1984, for gas committed to Northern for general system supply. The initial gas cost component of \$2.7500 will not be applied retroactively. Since it is not possible to implement the settlement rate as of October 1, 1984, as originally contemplated by the parties hereto and Appendices "A" and "B" hereto, by reason of the Commission's policy against approval of rate increases on a retroactive basis, it is agreed that Northern shall apply to the Commission for approval of the settlement rate on an interim basis, (subject to refund and final Commission approval). The settlement rate shall be effective from the date it is approved by the Commission on an interim basis, (subject to refund and final Commission approval), to and including September 30, 1986, a period of approximately two (2) years.

#### II. Non-Gas Cost Component

Northern agrees to forego the non-gas cost component of \$.1909 per mcf established at the time the original rate charged Montana Rural Farmstead Customers was established with the Commission in 1974 for a period of approximately three (3) years, to-wit: From the date the settlement rate is approved on an interim basis by the Commission, (subject to refund and final

approval by the Commission), to and including September 30, 1987. On October 1, 1987, Northern shall be entitled 'to resume collecting the \$.1909 per mcf non—gas cost component originally established in 1974 as a non—gas cost component of the settlement rate, which will be added to the gas purchase cost component of the settlement rate, and paid to Northern by the Montana Rural Farmstead Customers listed in Appendix “C” hereto for gas used by them from and after October 1, 1987, and this non—gas cost component of the settlement rate shall remain constant and unchanged thereafter as to purchases made under their existing direct rural natural gas domestic farmstead service agreements.

#### GAS COST TRACKING ADJUSTMENT PROCEDURE

The gas cost tracking adjustment procedure hereinafter set forth is an integral part of this settlement.

Northern will provide the Montana Rural Farmstead Customers of Northern listed in Appendix “C” hereto with detailed information in summary form on an annual basis commencing with 1985 as to Northern’s actual average cost of gas for the immediately preceding 12-month period ending May 31st.

The “actual average cost of gas” shall be Northern’s actual cost paid to gas producers in the Bullhook, Tiger Ridge Unit, Tiger Ridge Non-Unit, Sherard and Main Line areas weighted for the number of customers in each unit and area and for the volume of gas used by the Montana Rural Farmstead Customers in each of these units and areas during the immediately preceding 12-month period ending May 31st of the year for which such information is furnished.

This information will be furnished to the Montana Rural Farmstead Customers of Northern listed in Appendix “C” hereto at least sixty (60) days prior to October 1st of each year. It will form the basis for determining any increase or decrease in the gas purchase cost component of the settlement rate.

If Northern's actual average cost of gas for any 12-month period ending May 31st, commencing with the period ending May 31, 1986, shall be 5% more or less than the then existing rate, Northern shall apply to the Commission for a gas cost tracking adjustment based on its actual average cost of gas in the units and areas identified above for the immediately preceding 12-month period ending May 31st to be effective October 1st of that year. Northern shall apply to the Commission for approval of any such gas cost tracking adjustment not less than sixty (60) days prior to October 1st of the year in which it is to take effect. Any such gas cost tracking adjustment shall become effective on an interim basis as of October 1st of the year in which filed with the Commission, or such other date as it is approved on an interim basis by the Commission, (subject to refund and final Commission approval). It shall continue in force and effect as finally approved by the Commission until such time thereafter as another gas cost tracking adjustment is filed with the Commission and it is approved by the Commission in accordance with the then existing statutes and regulations of the State of Montana governing rate-making proceedings.

#### REGULATORY COMMISSION EXPENSE

Northern agrees to absorb the Regulatory Commission Expense including attorneys' fees incurred by Northern in connection with this Docket. Northern will not seek to recover any Regulatory Commission Expense incurred by Northern in filing any future application with the Commission for a gas cost, tracking adjustment from the Montana Rural Farmstead Customers listed in Appendix "C" hereto unless there are objections to the application which result in adversarial proceedings before the Commission, in which event, Northern shall have the right to apply to the Commission to recover such amount as the Commission may allow as its Regulatory Commission Expense.

#### SETTLEMENT CONDITIONED ON COMMISSION APPROVAL

This Stipulation and Agreement in Settlement of Rate Making Proceeding is conditioned



on approval by the Commission.

WHEREFORE, the parties hereto acting by and through their respective counsel of record request that the Commission make and enter an order approving the within and foregoing Stipulation and

Agreement in Settlement of Rate Making Proceeding in all respects.

DATED this 15th day of October, 1984.

LOBLE & PAUL P.C.

By

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## Appendix A

NORTHERN NATURAL GAS COMPANY  
Division of InterNorth, Inc.  
(Northern)

	<u>Derivation of Settlement Gas Sales Rate</u>			
	<u>October 1 1984</u>	<u>October 1 1985</u>	<u>October 1 1986</u>	<u>October 1 1987</u>
Gas Purchase Cost Component	\$2.7500	<u>1/</u> \$2.7500	<u>1/</u> \$2.7500	<u>1/</u> \$2.7500
Non-Gas Cost Component	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u> .1909
Amortization of Outside Services — Regulatory Commission Expense	<u>3/</u>	<u>3/</u>	<u>3/</u>	<u>3/</u>
Total Settlement Gas Sales Rate	<u>\$2.7500</u>	<u>\$2.7500</u>	<u>\$2.7500</u>	<u>\$2.9409</u>

- 1/ The gas purchase cost component is fixed at \$2.7500 for a period of approximately two (2) years effective as of the date approved on an interim basis (subject to refund and final approval by the Commission), to and including September 30, 1986, with the gas purchase cost component to be adjusted in accordance with the gas cost adjustment tracking procedure set forth in the Stipulation and Agreement subject to Commission approval on and after October 1, 1986.
- 2/ Northern will forego the non—gas cost component of the original rate established with the Commission in 1974 for a period of approximately three (3) years from the date the settlement rate is approved on an interim basis by the Commission, (subject to refund and final approval by the Commission), to and including September 30, 1987. On October 1, 1987, Northern will resume collecting the \$.1909 per mcf non-gas cost component originally established in 1974 as a non-gas cost component of the settlement rate' in addition to the gas purchase cost component of the settlement rate, and this non-gas cost component shall remain constant and unchanged thereafter in accordance with the terms of the Stipulation and Agreement.

Appendix A

- 3/ Northern will absorb the Regulatory Commission Expense associated with this docket, Utility Division Docket No. 83.9.65. Northern will not seek to recover any Regulatory Commission Expense incurred by Northern in filing any future application for a gas cost tracking adjustment with the Commission unless objections to the application result in adversarial proceedings before the Commission, in which event, Northern may seek to recover its Regulatory Commission Expense as provided in the Stipulation and Agreement.